

BCF KIWISAVER SCHEME

Financial Statements

For the year ended 31 March 2020

BCF KIWISAVER SCHEME

Financial Statements

For the year ended 31 March 2020

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Independent Auditor's Report

To the Members of the BCF Kiwisaver Scheme

Opinion

We have audited the financial statements of BCF Kiwisaver Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2020, and the statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 3 to 12, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with or interests in the Scheme.

Other information

The Trustee is responsible on behalf of the Scheme for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report

Directors of the Trustee's responsibilities for the financial statements

The Directors of the Trustee are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the the Directors of the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors of the Trustee are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern, disclosing,

as applicable, matters related to going concern and using the going concern basis of accounting unless the the Directors of the Trustee either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

**Silvio Bruinsma, Partner
for Deloitte Limited**
Wellington, New Zealand
8 July 2020

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**Statement of Net Assets
As at 31 March 2020**

	2020	2019
	\$	\$
ASSETS		
Cash And Cash Equivalents	106,619	8,233
Investments	9,177,141	8,235,551
Canterbury Education Trust	500,000	500,000
Interest Receivables	8,909	2,897
Total Assets	<u>9,792,669</u>	<u>8,746,681</u>
LIABILITIES		
Sundry Creditors	16,420	19,803
Income Tax Payable	30,521	53,631
Total Liabilities	<u>46,941</u>	<u>73,434</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>9,745,728</u></u>	<u><u>8,673,247</u></u>
LIABILITY FOR PROMISED BENEFITS		
<i>Represented by:</i>		
KiwiSaver Member Accounts	9,745,728	8,673,247
	<u><u>9,745,728</u></u>	<u><u>8,673,247</u></u>

For and on behalf of the Trustee, who has authorised the issue of these financial statements on:

Director:  _____ 8 July 2020

Director:  _____ 8 July 2020

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Statement of Changes in Net Assets For the Year Ended 31 March 2020

INVESTMENT ACTIVITIES	2020 \$	2019 \$
Investment Revenue		
Interest Received	304,914	287,952
Other Expenses		
Administration & Actuarial Fees	32,120	30,000
Auditor's Remuneration - Audit of Financial statements	19,377	16,100
Taxation Services	3,680	3,450
Legal Fees	30,291	2,073
Use of Money Interest	958	-
Sundry Expenses	41,442	41,200
Total Other Expenses	<u>127,868</u>	<u>92,823</u>
Surplus before Taxation and Membership Activities	177,046	195,129
Tax Expense	49,799	54,632
Surplus after Taxation and before Membership Activities	127,247	140,497
MEMBERSHIP ACTIVITIES		
Contributions		
Member Contributions	930,967	869,850
Employer Contributions	535,413	518,452
Crown Tax Credits	188,297	182,724
Transfers in	47,331	123,563
Kickstart	-	5,000
Total Contributions	<u>1,702,008</u>	<u>1,699,589</u>
Less:		
Death Payment	-	5,751
First Home Withdrawal	505,438	149,484
Retirement	134,979	235,807
Partial Withdrawal	77,000	138,000
Permanent Emigration	9,549	-
Transfer Out	29,808	19,059
Net Membership Activities	<u>945,235</u>	<u>1,151,488</u>
Net Increase in Net Assets for the Year Ended March 2020	1,072,481	1,291,985
KiwiSaver Member Accounts at the start of the year	8,673,247	7,381,262
KiwiSaver Member Accounts at the Year Ended March 2020	<u><u>9,745,728</u></u>	<u><u>8,673,247</u></u>

This statement is to be read in conjunction with the notes on pages 6 to 12

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Statement of Cash Flows For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided from			
Member Contributions		930,967	869,850
Employer Contributions		535,413	518,452
Crown Tax Credits		188,297	182,724
Transfers In		47,331	128,563
Tax Refund Received		-	18,653
		<u>1,702,008</u>	<u>1,718,242</u>
Cash applied to			
Withdrawals		(726,966)	(549,452)
Administration Fees		(31,835)	(30,000)
Transfer Out		(29,808)	(19,059)
Tax Paid		(73,867)	(32,897)
Audit Fee		(20,036)	(36,577)
Tax Advice		(6,555)	(3,450)
Legal Fees		(30,291)	(2,073)
General Expenses		(41,577)	(42,558)
		<u>(960,935)</u>	<u>(716,066)</u>
Net Cash Flows from Operating Activities	8	<u>741,073</u>	<u>1,002,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash applied to			
Purchase of investments			
Term Deposit		(642,687)	(547,056)
Canterbury Education Trust		-	(500,000)
		<u>(642,687)</u>	<u>(1,047,056)</u>
Net Cash Flows from Investing Activities		<u>(642,687)</u>	<u>(1,047,056)</u>
Net Increase / (Decrease) in Cash And Cash Equivalents held		98,386	(44,880)
Cash And Cash Equivalents at Beginning of Year		8,233	53,113
Cash And Cash Equivalents at End of Year		<u><u>106,619</u></u>	<u><u>8,233</u></u>

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Notes to the Financial Statements (cont'd)
For the year ended 31 March 2020

3 Summary of Significant Accounting Policies

Basis of Preparation

The Scheme is registered under the Financial Markets Conduct Act 2013 (FMCA 2013). The financial statements have been prepared in accordance with the requirements of the FMCA 2013.

Measurement base

The measurement base adopted is that of historical cost modified by the revaluation of investments which are measured at fair value at balance date.

Functional and Presentational currency

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

Classification of assets and liabilities

The BCF KiwiSaver Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

Standards and Interpretations and other new amendments in issue adopted during the year

During the year no new standard and interpretations or amendment in issue adopted by the scheme.

Interest Income

Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

Income and Expenses

All income and expenses are accounted for on an accrual basis.

Taxation

Under the PIE regime, the Scheme attributes the taxable income of the Scheme to members in accordance with the proportion of their overall interest in the Scheme. The income attributed to each member is taxed at the member's "prescribed investor rate" which is capped at 28%. Under the PIE regime, income is effectively taxed in the hands of the members and is therefore shown as part of Net Membership Activities in the Statement of Changes in Net Assets.

Financial Instruments

Financial assets and financial liabilities are recognised on the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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Notes to the Financial Statements (cont'd)
For the year ended 31 March 2020

3 Summary of Significant Accounting Policies (Cont'd)

Financial Asset at amortised cost

Financial Assets at amortised cost are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest method, less impairment losses if any. Such assets are reviewed at each balance date for Expected Credit Loss ("ECL") as per the new impairment model under applicable NZ IFRS 9. This is to determine whether there is objective evidence of impairment, for example when there has been a significant or prolonged decline in the fair value below cost. The impairment allowance on receivables is assessed based on historical delinquency rates and losses. Bad debts are written off when identified.

Financial Liabilities at amortised cost

Payables may include liabilities and accrued expenses owing by the Plan which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These financial liabilities are stated at amortised cost.

Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Transfers In and Transfers Out

Transfers in and transfers out are accounted for on an accruals basis.

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis.

Benefits Payable

Benefits payable are not interest-bearing and are stated at their fair value.

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

* *Cash and Cash Equivalents* - comprises cash balances held with banks in New Zealand and overseas.

* *Investing activities* - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash and cash equivalents.

* *Operating activities* - include all transactions and other events that are not investing activities.

Promised Retirement Benefits

The liability for promised benefits is calculated as the difference between the carrying amounts of all assets and the carrying amounts of all the liabilities as at balance date.

Capital Risk Management

The Scheme's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised benefits.

The Scheme achieves this through obtaining contributions from members and employers and investing these into financial assets.

Changes to significant accounting policies

During the year there were no changes to accounting policies.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Investments are in term deposit with bank primarily held solely for collecting cashflow in form of principal and interest on such principal. This qualifies them to be classified financial asset that is not designated at FVPL and measured at amortised cost.

During the year 2018 the Scheme's invested in Term Deposit & Loan Agreement with a view to earn a return in the form of interest. Term Deposits are recognised and derecognised on the trade date of the contract and interest earned are accounted on accrual basis. Loan Agreement is recognised and derecognised on the trade date of the contract and interest earned are accounted on accrual basis. Loan agreement is assessed yearly for Expected Credit Loss ("ECL") as per the new impairment model under applicable NZ IFRS 9.

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Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

4. Changes in promised benefits as at 31 March 2020:

	Member Account \$	Reserve Account \$	Total 2020 \$
Balance 1 April 2019	8,673,246	-	8,673,246
Contributions	1,702,008	-	1,702,008
Benefits Paid	(756,773)	-	(756,773)
Change in net assets after tax	-	127,247	127,247
Interest Allocated	127,247	(127,247)	-
Balance 31 March 2020	<u>9,745,728</u>	<u>-</u>	<u>9,745,728</u>

Changes in promised benefits as at 31 March 2019:

	Member Account \$	Reserve Account \$	Total 2019 \$
Balance 1 April 2018	7,381,261	-	7,381,261
Contributions	1,699,589	-	1,699,589
Benefits Paid	(548,101)	-	(548,101)
Change in net assets after tax	-	140,497	140,497
Interest Allocated	140,497	(140,497)	-
Balance 31 March 2019	<u>8,673,246</u>	<u>-</u>	<u>8,673,246</u>

5. Vested benefits

Vested benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

	2020 \$	2019 \$
Vested benefits	<u>9,745,728</u>	<u>8,673,246</u>

Guaranteed benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2019: Nil).

6. Investments

	2020 \$	2019 \$
a. Term Deposits		
ASB	172,654	1,007,809
BNZ	1,231,284	1,777,570
TSB Bank	2,563,980	1,973,235
Westpac	2,352,101	1,313,253
Kiwibank	2,857,123	2,163,684
Total Investments	<u>9,177,142</u>	<u>8,235,551</u>

b. Canterbury Education Trust

Start Date: 19 November 2018

Maturity Date: 19 November 2023

Interest Rate: Rate of interest will be reviewed annually on each anniversary of loan advanced and adjusted to lowest advertised rate of the ASB Bank for its one-year fixed rate on its first mortgages plus One (1) per cent. Interest rate effective from 19 November 2019 is 4.89% per annum (5.19% p.a. for period prior to 19 November 2019).

Current year Interest: \$8,909 (including accrued interest at the year end)

Principal Outstanding: \$500,000

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Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

7. Income tax		
Tax expense	2020	2019
	\$	\$
Current tax expense	<u>49,799</u>	<u>54,632</u>
The total tax expense for the year can be reconciled to the Change in Net Assets as follows:		
Change in Net Assets before Tax and membership activities	177,046	195,129
Non-deductible expenses - Late payment penalties - IRD	809	-
Taxable income	<u>177,855</u>	<u>195,129</u>
Income Tax @ 28%	49,795	54,632
RWT prior year adjustment	4	-
Tax Expense	<u>49,799</u>	<u>54,632</u>
Current Tax	\$	\$
Opening Balance	53,647	13,243
Add Tax Assessed	49,799	54,632
Refund	-	18,653
Less Tax Paid during the year	(74,676)	(32,882)
Add: Late payment penalties	791	-
Add: Use of Money Interest	958	-
Closing Balance	<u>30,520</u>	<u>53,647</u>
8. Reconciliation of net cash flows from operating activities to net increase in net assets	2020	2019
	\$	\$
Net increase In Net Assets During Year	1,072,480	1,291,983
Net Interest on Investments (non-cash)	(298,902)	(287,952)
Movements in Other Working Capital Items		
Decrease in trade and other payables	(3,384)	(42,243)
Decrease in tax payable	(23,109)	-
(Increase)/Decrease in receivable	(6,012)	40,388
Net Cash Flows from Operating Activities	<u>741,073</u>	<u>1,002,176</u>
9. Benefits Payable		
Death Withdrawal payable	<u>-</u>	<u>-</u>
	-	-
10. Sundry Creditors		
Administration Fees	2,784	2,500
Deloitte Audit - Financial Statement	11,385	11,270
MJW - Custodial Service Assurance	1,278	-
Register of Member Audit Fees	-	2,050
Taxation Services - Crowe Horwath	-	2,875
Trustee Fees	900	1,035
Sundry Expenses	73	73
Total	<u>16,420</u>	<u>19,803</u>

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Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

11 Financial Risk Management

The Scheme is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

Categories of financial instruments

As at 31 March 2020

	Financial assets as at Amortised Cost	Financial assets as at fair value through profit or loss	Financial Liabilities at Amortised Cost	Total
Assets				
Cash And Cash Equivalents	106,619	-	-	106,619
Investments	9,177,141	-	-	9,177,141
Canterbury Education Trust	500,000	-	-	500,000
Interest Receivables	8,909	-	-	8,909
Total assets	9,792,669	-	-	9,792,669
Liabilities				
Sundry Creditors	-	-	16,420	16,420
Total liabilities	-	-	16,420	16,420

As at 31 March 2019

	Financial assets as at Amortised Cost	Financial assets as at fair value through profit or loss	Financial Liabilities at Amortised Cost	Total
Assets				
Cash And Cash Equivalents	8,233	-	-	8,233
Investments	8,235,551	-	-	8,235,551
Canterbury Education Trust	500,000	-	-	500,000
Interest Receivables	2,897	-	-	2,897
Total assets	8,743,784	-	-	8,746,681
Liabilities				
Sundry Creditors	-	-	19,803	19,803
Benefits Payable	-	-	-	-
Total liabilities	-	-	19,803	19,803

Risk Management

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustees.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The maximum exposure to credit risk for the Scheme is the carrying amount of its assets as disclosed in the Statement of Net Assets.

As at balance date, investments were held as cash on call with ANZ and term deposits with ASB, BNZ, Westpac, TSB and Kiwibank. The Scheme's investing activities expose it to credit risk. ANZ Bank New Zealand Limited, ASB Bank New Zealand Limited, BNZ, and Westpac New Zealand have credit ratings of AA- with both Standard & Poors and Fitch. TSB Bank Limited has a credit rating of A- credit rating with Fitch. Kiwibank has a credit rating of A with Standard & Poors.

In addition to above investments the Scheme advanced loan to Canterbury Education Trust ("CET"). CET, not being listed organisation with quoted price or active market, exposes the Scheme to higher credit risk. Although this risk is substantially mitigated by guarantee from the Trustees of the Scheme, the Loan agreement is assessed yearly for Expected Credit Loss ("ECL") as per the new impairment model under applicable NZ IFRS 9. The Trustee has considered the impact of COVID-19 in ECL probability and concluded this has no material impact.

Liquidity risk management

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet its obligations to pay members. Due to the nature of a KiwiSaver scheme, it is unlikely that a significant number of members would exit at the same time. However, to control liquidity risk, the Scheme invests in deposits with registered New Zealand banks.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate because of changes in market interest rates. The maturity period for term deposits varies from 3 months to 24 months during the year.

A 1% movement in interest rates would have an impact on the value of the Scheme's assets of +/- \$92,838. (2019: \$82,438).

Capital management

Net assets attributable to members are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations.

In order to meet its objectives for capital management the Scheme's management review the Scheme's performance on a regular basis.

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Notes to the Financial Statements (Cont'd)
For the year ended 31 March 2020

12 Related Parties

Under FMCA Kevin Sorensen is appointed as the Licensed Independent Trustee with the fee of \$10,628 p.a. (2019: \$12,136 p.a.) for Trusteeship services paid by the Scheme. There are four (2019: Three) directors for Arotahi Trust Limited, the Trustee. None of these directors are members of the Scheme.

The Scheme holds no investments in any of the employer companies. During the year the contributions received from the employer companies was \$535,413 (2019: \$518,452)

13 Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 31 March 2020 (2019: Nil).

14 Events After Balance Date

The outbreak of the novel coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including New Zealand. The Scheme considers this outbreak to be a non adjusting balance sheet event as at 31 March 2020. Given the spread of the COVID-19, the range of potential outcomes for the global economy are difficult to predict at this point in time. Possible outcomes range from successful virus containment and minor short term impact, to a prolonged global contagion resulting in possible recession. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. When it comes to the Scheme, we are monitoring the COVID-19 outbreak closely, the directors follow guidance from the World Health Organization and abides by the requirements activated by local governments. We will be implementing plans to mitigate the potential adverse impact on the Scheme and its investments. Scheme's substantial investments are in term deposits of banks with good credit rating and solvency. As of the date of signing the balance sheet there were no change in credit rating of these banks. The Trustee notes that the investment value depend on the credit rating of the banks and the markets are volatile due to COVID 19 as discussed above. (2019: Nil).